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Message Text

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ORIGIN TRSE-00

INFO OCT-01 AF-10 EUR-12 EA-07 ISO-00 EB-07 XMB-02
CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00
INRE-00 PM-04 H-01 INR-07 L-03 NSC-05 PA-01
PRS-01 SP-02 SS-15 AID-05 COME-00 FRB-03 OPIC-03
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APPROVED BY EB/IFD/OMA: R J RYAN
EB/IFD/OMA: B G CROWE
AF/C: E MARKS
EXIMBANK: J LENTZ
EB/IFD:CMEISSNER
----------080500 242143Z /65
O 242111Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY PARIS IMMEDIATE
INFO AMEMBASSY BONN IMMEDIATE
AMEMBASSY BRUSSELS
AMEMBASSY KINSHASA
AMEMBASSY LONDON
AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 147927

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: COMMENTS ON CHAIRMAN'S VIEWS ON PARIS CLUB
MEETING FOR ZAIRE
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REF: A) PARIS 17431, B) KINSHASA 5398, C) STATE 132820

1. WE ARE PLEASED TO LEARN FROM REF A THAT PEBEREAU, CHAIR-
MAN OF PARIS CLUB, SHARES OUR VIEW THAT NEGOTIATION OF 1978
DEBT -ERVICE AT THE JULY MEETING OF THE CLUB WOULD BE PRE-
MATURE. COMMENTS ON OTHER POINTS RAISED BY CHAIRMAN AS RE-
PORTED REF A FOLLOW.

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2. REGARDING CHAIRMAN'S SUGGESTION THAT WORLD BANK ESTIMATE OF 210-250 MILLION DOLS BALANCE-OF-PAYMENTS FINANCING GAP POINTS TO NEED FOR RESCHEDULING PRINCIPAL AND INTEREST DUE IN BOTH SEMESTERS OF 1977:

A. WE ARE RELUCTANT TO ACCEPT AS DEFINITIVE THE WORLD BANK'S OR ANY OTHER'S BOP ESTIMATE FOR ZAIRE, AND HOPE CHAIRMAN AND OTHER CREDITORS WILL SHARE OUR SKEPTICISM. THE ESTIMATESDIFFER, AND THERE IS NO WAY OF TELLING WHICH IS MOST NEARLY CORRECT. COMPARE, FOR INSTANCE, WORLD BANK ESTIMATE WITH EMBASSY KINSHASA ESTIMATE, REF B, OF 110 MILLION DOLS GAP; OR CONSIDER ESTIMATES OF COFFEE EXPORT RECEIPTS: THE RANGE ON THIS ITEM ALONE (AT LEAST 200 MILLION DOLS) IS ROUGHLY EQUIVALENT TO THE ENTIRE AMOUNT OF 1977 DEBT SERVICE OWED PARIS CLUB CREDITORS.

B. GREATLY INFLUENTIAL IN SHAPING OUR DESIRE TO CONSOLIDATE AND RESCHEDULE 85 PERCENT OF FIRST-SEMESTER PRINCIPAL AND INTEREST, AND 85 PERCENT OF PRINCIPAL ALONE IN SECOND SEMESTER, IS PREMISE THAT ZAIRE'S BOP POSITION WILL BE APPRECIABLY BETTER IN SECOND HALF OF 1977 THAN IN FIRST HALF. SEVERAL FACTORS INDICATE THIS IS LIKELY TO BE THE CASE, MOST NOTABLY: RECOVERY OF COPPER EXPORT VOLUME FOLLOWING SHABA INVASION (FYI ZAIRE CENTRAL BANK GOVERNOR CONFIDENTIAL

SAMBWA TOLD FRIEDMAN OF CITIBANK HE EXPECTS ZAIRE WILL REALIZE 450,000 METRIC TON COPPER EXPORT TARGET ASSUMED BY IMF. END FYI); FIRST DISBURSEMENTS OF THE LONDON CLUB FINANCIAL PACKAGE; GREATER NEW AID FLOWS, INCLUDING THE POSSIBILITY OF ARAB MONEY AND INCREASE IN COFFEE EXPORTS. THUS, WHILE CONSOLIDATION AND RESCHEDULING OF 85 PERCENT OF PRINCIPAL AND INTEREST DUE IN THE FIRST SEMESTER IS WARRANTED, CONSOLIDATION AND RESCHEDULING OF 85 PERCENT PRINCIPAL ALONE IS ALL THAT APPEARS TO BE NECESSARY FOR THE SECOND SEMESTER. WE BELIEVE RESCHEDULING SECOND SEMESTER INTEREST WOULD, MOREOVER, REDUCE PRESSURE ON GOZ FOR IMPROVED PERFORMANCE EFFORTS AND LESSEN PRESSURE FOR LONDON AGREEMENT BANKS TO PROVIDE PROMPT RELIEF. OF COURSE IF THE BOP SITUATION SHOULD FAIL TO MEET EXPECTATIONS AS THE SECOND HALF OF THE YEAR PROGRESSES, WE WOULD BE WILLING AT THAT TIME TO RECONSIDER THE MATTER. WE THINK THIS APPROACH MAKES SENSE, AND HOPE THAT WE CAN GET CHAIRMAN AND OTHERTO AGREE. (FYI LAST YEAR ALL OTHER CREDITORS AGREED TO RESCHEDULE PRINCIPAL AND INTEREST FOR THE FIRST SEMESTER AND PRINCIPAL ONLY FOR THE SECOND. THE U.S. INITIALLY RESERVED AGAINST RESCHEDULING INTEREST, BUT WE LATER LIFTED OUR RESERVATION. THE POTENTIAL APPEARS TO EXIST FOR A SIMILAR DIVISION OF VIEWS THIS YEAR BETWEEN OTHER CREDI-

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TORS AND U.S., AND WE SEEK TO PREVENT THIS. END FYI).

3. ON THE MATTER OF NEGOTIATING INTEREST RATES IN THE PARIS CLUB IN ORDER TO SPEED UP SUBSEQUENT NEGOTIATION OF BILATERALS:

A. THE PROSPECT OF ARRIVING AT A COMMON INTEREST RATE FOR ALL CREDITORS, OR EVEN A DUAL RATE FOR COMMERCIALLY-ORIENTED CREDITS AND FOR DEVELOPMENT ASSISTANCE LOANS, RAISES DIFFICULT PROBLEMS. FOR INSTANCE, THE U.S. WOULD NOT BE AGREEABLE TO INTEREST RATES ON RESCHEDULED DEBT SERVICE WHICH DIVERGE SUBSTANTIALLY FROM RATES AVAILABLE ON COMPARABLE NEW CREDITS (AS SOME OTHER CREDITORS PREFER), SINCE CONFIDENTIAL

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SOME OF OUR CREDITOR AGENCIES MUST COVER THEIR COST OF MONEY, AND SINCE WE DO NOT WISH TO ESTABLISH PRECEDENT THAT IT IS MUCH CHEAPER TO RESCHEDULE THAN TO OBTAIN NEW CREDITS.

B. WE ARE SYMPATHETIC TO THE CHAIRMAN'S AND THE GOZ'S DESIRE TO SPEED UP NEGOTIATION OF THIS YEAR'S BILATERALS. SINCE RESCHEDULING OF 1977 DEBT SERVICE WILL, IN MOST CASE, INVOLVE THE VERY SAME LOANS AS LAST YEAR'S RESCHEDULING, AND SINCE CREDITORS NOW HAVE THE EXPERIENCE OF COMPUTING APPROPRIATE AVERAGE INTEREST RATES FOR THOSE LOANS, WE EXPECT THAT NEGOTIATION OF THIS YEAR'S BILATERALS CAN BE ACCOMPLISHED WITHOUT UNDUE DELAY FROM THIS CAUSE. TO HELP ENCOURAGE THIS, IT MAY BE POSSIBLE TO INCLUDE IN THE PARIS CLUB MINUTE LANGUAGE CONFIRMING THE DESIRABILITY OF NEGOTIATING BILATERALS PROMPTLY.

C. HOWEVER, AS APPARENT FROM U.S. POSITION DESCRIBED REF C, SIGNING OF U.S./GOZ BILATERAL FOR 1977 IS DEPENDENT ON COMPARABLE BURDENSHARING BETWEEN THE LONDON CLUB AND THE PARIS CLUB CREDITORS, AND FAILURE OF LONDON CLUB TO PRESENT "COMPARABLE" TERMS WOULD THUS DELAY NEGOTIATING (SIGNING) OF BILATERAL.

4. REGARDING REPAYMENT PERIOD OF THE NON-CONSOLIDATED PORTION (15 PERCENT) OF DEBT SERVICE: WE ARE OPEN TO CONSIDERATION OF SOMEWHAT EASIER TERMS THAN LAST YEAR'S, BUT DO NOT WISH TO COMMIT OURSELVES AT THIS TIME. (INCIDENTALLY, PLEASE NOTE THAT POINT C, PAGE 2 OF REF A, SHOULD READ "3 YEARS GRACE" NOT "4 YEARS GRACE".)

5. EMBASSY PLEASE CONVEY THESE VIEWS TO PEBEREAU SOONEST.
CHRISTOPHER

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